

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 663 - HB 979**

March 28, 2021

**SUMMARY OF ORIGINAL BILL:** Extends, from 10 to 15 days, the effective date of a commercial risk insurance policy cancellation after notice is mailed by the insurer to the named policyholder.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**IMPACT TO COMMERCE OF ORIGINAL BILL:**

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (005743):** Deletes all language after the enacting clause. Creates a Franchise and Excise (F&E) tax credit of up to \$60 per employee, for employers who pre-enroll employees in long-term (\$30 credit) or pre-enroll employees in short-term (additional \$30 credit) group disability income protection plans. Defines and creates parameters pertaining to the pre-enrollment and notification requirements of the employer.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue - \$675,000/FY21-22 and Subsequent Years**

Assumptions for the bill as amended:

- Based on information from the Department of Revenue it is estimated that approximately 1,500 employers have issued long- and short-term disability income protection policies.
- Based on information from the Department of Labor and Workforce Development it is estimated that each employer has approximately 20 employees.
- It is estimated that 50 percent of employers offer long term disability and 50 percent offer short term disability policies and will opt to pre-enroll employees, and that about 75 percent of those employees will opt to remain enrolled.

- Therefore, the total decrease in state revenue as a result of the F&E credit is estimated to be \$675,000  $[(1,500 \times 50\% \times 20 \times 75\% \times \$30 \text{ long term}) + (1,500 \times 50\% \times 20 \times 75\% \times \$30 \text{ short term})]$ .
- This legislation authorizes the tax credit in the first year the employee is enrolled and for two subsequent years following that.
- For purposes of this fiscal note it is assumed that the average amount of tax credits issued will remain constant in FY21-22 and subsequent years as new employees are added and previous employees drop off tax credit eligibility.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

### **Decrease Business Expenditures - \$675,000/FY21-22 and Subsequent Years**

Assumptions for the bill as amended:

- The expenditures that businesses are currently making for short and long-term disability for their employees would be partially offset by the amount of the F&E tax credit, making the total decrease in business expenditures \$675,000 in FY21-22 and subsequent years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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